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Hungary shared the lot of other countries in South-eastern Europe in that surplus agrarian population was a fundamental feature of her economic and social life. The density of agricultural population, as measured by the number of people dependent on agriculture per square kilometre of arable land equivalent, was 63·1 in Hungary against 28·18 in France and 33·9 in Great Britain.[1] As the countries with low areas per cultivator generally also have low yields per acre, agriculture was unable to provide economic employment for a population of that density. The situation was greatly aggravated by the uneven distribution of land. Large units of over 700 acres comprised almost one-third of the whole agricultural area. The big and very big estates—quite a number of them extending to 7,000 acres and more—were the main suppliers of the grain surplus of the country. The preponderance of grain growing implied, however, a relatively low demand for hands per acre cultivated. According to expert opinion the under-employment of the population engaged in agriculture amounted to about 25 per cent.

During the inter-war period industry was able to absorb but a fraction of the excess man-power at the then rate of progress of industrialization. There resulted a constant pressure of supply on the labour market, and an income distribution correspondingly unfavourable to the wage-earners.

Employers in industry took advantage of the low wage-level and of the fact that Hungarian workers readily adapt themselves to industrial work and acquire the technical skill needed in different branches of manufacture. The old-established Hungarian industries, like engineering and food processing, laboured under the disadvantage of having been established to meet the needs of the larger national market which had been secured to them until the disruption of the Habsburg Monarchy. Different branches of engineering had supplied Greater Hungary with railway material, agricultural machinery, and certain kinds of industrial equipment, while food processing industries, in particular, flour mills, had been suppliers of the whole Monarchy. These industries, reluctant to face realities, had to suffer a protracted process of adaptation.

On the other hand new industries, favoured by the change of circumstances, developed. The expansion in the textile, electrical, and chemical industries was the most remarkable. On the whole, the new enterprises recorded good results both in

[1] Wilbert E. Moore, *Economic Demography of Eastern and Southern Europe* (Geneva, League of Nations, 1945), pp. 197–201; the arable land equivalent is calculated according to the following proportions: arable land, 100; orchard and garden lands, 300; meadows, 40; and pastures, 20.

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Plan may have assumed something of that character. But at the start the outlook was different. At any rate, after a period of privation, a serious effort had to be made to raise the standard of living, if only as a means of attaining higher efficiency. Moreover, an austerity programme, concentrating on the extension of heavy industry as its primary objective, did not fit into the political atmosphere of that initial period.

Extension in the whole field of industry strained domestic financial resources to the utmost. The redistribution of incomes and of consumption might to a moderate extent have contributed to the solution of the problem. But the solution had to be found mainly in increase of national income through enlargement of production. This call for higher production of consumer goods as well as of capital goods called in its turn for industrialization, both in the sense of expanding industry and in that of mechanizing agriculture.

By placing industrialization in the centre of economic policy a familiar chord was struck. It was, in fact, an axiom in Hungary in the inter-war period that only industrial expansion could solve the most urgent problem of the country, the employment of the agricultural surplus population. This question became acute after the outlet, which had been open before the First World War by way of mass emigration to the United States, had been blocked. The main conditions for industrial development were present. There was a reserve of working population more than sufficient in numbers and able to adapt themselves to the conditions of industrial work. Skilled labour was in high demand, as shown by a larger margin between the wages of skilled and untrained men than is usually experienced in the Western countries. So long as the progress of industrialization was no more than gradual, this gap could be partly filled by the attraction of foremen from abroad. Nor was technical and managerial skill wanting.

Of natural resources essential for industry a great part had to be imported. Coal deposits, composed largely of brown coal, are moderate compared with those of most of the industrial countries. Water-power potential is small. Ample in supply are bauxite, natural gas, and, in a lesser degree, mineral oil. High-quality coal has had to be imported to meet the requirements of metallurgy, but otherwise coal-mining has supplied industry with the quantity wanted.[1]

[1] Output 1938: roughly 9,000,000 tons; imports: 500,000 tons. Some 10 per cent of the whole output was bituminous coal of the calorific value of 12,000–13,500 British Thermal Units (compared with 14,000–16,000 B.T.U. of British bituminous coal). Otherwise brown coal was mined mostly of a calorific value of 7,000–11,000

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resided in every administrative district—about 200 by the end of the first Plan year.

The change in the position of the farmers can be fully appreciated only when the political atmosphere in the rural districts is realized. The edict of November 1947, in protection of the Three-year Plan against criminal offences, could naturally be applied equally to agriculture. In case of delay in some part of his work, or of any infringement of delivery orders, the farmer might be threatened with prosecution for economic sabotage. This possibility often became a reality as soon as the campaign which aimed at splitting the peasant population had been started. The November edict then proved to be a very effective weapon in fighting the *kulaks*, i.e. the wealthy peasants with a property exceeding 25 yokes. Holdings over that size were supposed to need hired labour, qualifying the owner as a class enemy. The farmers with a smaller property than 25 yokes were acknowledged as allies of the working class, not exploiting labour but themselves running their farms assisted only by members of their families.

THE UN-PLANNED SECTION

Small-scale Industries

The control exercised by the Planning Department did not extend to unincorporated concerns employing fewer than twenty workers. The share of the small units below this limit in the total output of manufactured goods was near 25 per cent. These units were not obliged to submit production plans. Investments carried out by them required approval only when exceeding the amount of 200,000 forint (£4,000). Consequently an appreciable part of industrial production and some part of total investment (in small-scale industry, agriculture, and trade) remained 'un-planned'.

Of raw-material supplies it was decided that certain quotas should be allotted to small-scale industry. These quotas were as a rule not adequate, allowing only a limited scope for the activities of handicrafts. Small manufacturers and handicraftsmen practically carried on their business under a controlled but not a planned economy. Yet controls were not efficient enough to regulate the activities closely. This applied in the first place to the prices they charged. The profits they earned, therefore, were often far above the officially approved rates. Consequently they were able to pay wages and raw-material prices in excess of the prescribed limits. Such evasions of the price control on raw materials were not extensive. The black market, though

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important for food, was not of appreciable significance as far as raw materials were concerned. Nevertheless the leakages did involve some disturbance within the planned portion of economy, especially in the sphere of labour, where the attraction exerted by the higher wages paid by the small employers restricted the supply of skilled labour for factories.

Labour Market

Individual enterprises were obliged to draw up specific manpower plans, but no central planning was established for the labour market. The planners were satisfied that growing production would automatically absorb parts of the labour reserve. They did not plan for full employment, realizing that the Three-year Plan would at the most provide employment only for a part of the labour reserve in the rural districts. Owing to the certainty that reserves were far in excess of Plan requirements, the recruiting of labour, except where skilled labour was concerned, was left in the hands of the employers, using the services of the labour exchanges for that purpose without any authoritative interference. The wages at which applicants were to be engaged had been fixed, of course, by approved collective agreements.

The increase in numbers employed was markedly slow during the first Plan year, as 'in-door' unemployment, widely spread in 1946–7, had first to be absorbed. Owing to the surplus of unskilled labour there was no need from the economic point of view for comprehensive labour organization, but steps soon had to be taken to overcome the shortage of skilled labour.

THE TARGETS—PLANNING FOR EXPANSION

As officially proclaimed the fundamental conception of the Plan was to raise production on a scale sufficient for a gradual improvement in the standard of living, and for a capital accumulation at an unprecedented rate. The initial impetus for an accelerated rhythm of economic activity given by the Plan was supported by an extension of credit, which was not necessarily inflationary in an economy with unutilized resources. The subsequent expansion of production was to be effected by a steadily enlarged capital equipment and by improved labour productivity. Industrial production was estimated at about 60 per cent of the pre-war level in 1946–7. The Plan envisaged the re-establishment of the pre-war standard of living by the end of the three-year period. In view of a steeply rising rate of net investment—from 10 to 18 per cent, against some 5 per cent in the

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	Index of output in 1947–8 (*100 in 1946–7*)	(*100 in Plan*)
Mining and metallurgy	120·9	105·4
Manufacturing industries:		
Iron, metal, engineering	160·9	123·3
Electrical-power production	128·0	121·0
Leather industry	193·0	156·0
Chemicals	117·0	109·0
Textiles	146·0	95·0
Clothing	227·0	94·0
Total Manufacture*	154·0	104·0

* Including items not quoted.

The extension of activities of light industry was left to the hazards of raw-material supplies. The special case of the leather industry, with an output pushed far beyond the target production programme, is explained by the existence of stocks of raw material which had not been fully taken into account by the planners. A heavy inroad was made on these stocks. None the less production remained, as in other important consumption-goods industries, considerably below pre-war level, while production in all capital-goods industries exceeded that mark. Yet the performance of industry as a whole, signifying a 54 per cent rise compared with the preceding year—calculated at 1947 January prices—was spectacular enough. In terms of quantities coal output rose by 27, steel production by 40 per cent. The expansion was realized without a corresponding increase in the labour force. In coal mining the result was mainly secured by regrouping, which raised the number of miners working at the coal-face. Thus average productivity, as measured by output per shift, was raised by 21 per cent. In manufactures the average number of those employed rose from 250,000 in 1946–7 to 261,000 in 1947–8. This moderate increase (16 per cent), if compared with the growth in output (54 per cent), indicates higher productivity of labour. The average rate of improvement in productivity amounted at this time, according to the computations of the National Planning Department, to 25 per cent. A 40 per cent rise was claimed later. The substantial difference between the earlier and the later version was not explained.[1]

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AGRICULTURE

241 654 For agriculture the Plan presented a comprehensive development programme. The programme included investment to benefit crop-growing and stock-raising. Means were assigned

[1] See p. 93.

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and Plan fulfilment mean less in terms of the satisfaction of human needs than they pretend. And even if it be admitted that the preliminary forecast was fulfilled or a little more than fulfilled in so far as quantities were concerned, there were other lines of fundamental importance in which a deficiency was revealed. The labour force which was required for maintaining industrial production on the scale intended appreciably exceeded what had been anticipated. It was expected, according to the programme, to be able to double industrial output through a 30 per cent increase in the average number employed. This expectation might, at first sight, appear over sanguine. It took account, however, of the extremely low productivity of labour before the start of the Plan, and it also relied on the effects of an improved and largely extended capital equipment. At the closing stage the Minister responsible for planning announced that the Plan provided employment for 200,000 work-people in addition to those previously engaged in manufacturing industry. In 1946–7 on an average 250,000 workers were engaged in manufactures. An increase of 200,000 would amount to a labour force of 450,000 in manufactures by the end of 1949. The Ministerial announcement appears to be an overstatement in the light of statistical evidence as released in the successive publications of the National Planning Department. These figures reveal some 415,000 employed in manufactures and about 70,000 in mining at the close of the Three-year Plan. The yearly averages for 1949 (derived from quarterly data) run as follows:

	Manufactures	*Mining and Metallurgy*
1946–7	250,000	59,000
1947–8	291,000	61,000
1949	382,000	67,000
increase against 1946–7	132,000	8,000
in percentages	53	13·5

Average employment in mining and manufactures in 1949 amounted, therefore, to roughly 450,000, in contrast to a planned employment of about 400,000 (310,000 increased by 30 per cent). This appears to be a 12 per cent excess of employment over the estimate. The general index of industrial production for 1949—135 compared with the estimate of 127 (based on 1938 = 100)—indicates an over-fulfilment by 6 per cent. But while the employment figure is real, the general index of production is unreliable. Though statistical errors may work in both directions, the differences in quality easily absorb more than the apparent increase of 6 per cent.

During the closing year of the Plan assiduous efforts were made to raise efficiency. The ground had been prepared by the

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433 [464] adjusted to the shortages of raw materials. In the absence of unemployment relief, the enterprises had to retain their workers irrespective of the enforced reduction of output. A considerable disguised or 'in-door' unemployment existed therefore in 1946–7. As a result of this kind of unemployment, a more plentiful and regular inflow of raw materials produced an apparent increase in productivity per head, because all the workers registered as employed were doing productive work. To the extent that this occurred, the improvement in productivity during 1947–8 cannot be claimed as a success of planning. It would no less have been brought about by any form of general economic recovery which ensured a more ample supply of raw materials. Increasing production, whatever the explanation, assisted the reduction of costs; and improvements in technical equipment worked in the same direction. These factors given, the decisive questions were to what extent managements were able to avail themselves of the opportunities offered, and how labour reacted. The answers depended on factory organization on the one hand and labour discipline on the other; and especially on a system of wages, calculated to relate wage costs to efficiency.

461 The main line of attack was recognized early enough. A steady pressure had been exerted since 1946–7 to introduce piece-work wherever it was technically feasible. Yet expectations in this respect were not realized. The workers did not agree with the methods applied, and they found ways, by pressure exerted in the workshops, to evade the norms fixed in collective agreements which had to be repeatedly revised. Under that pressure piece-rates were not fairly applied or were not correctly recorded. These practices involved higher earnings without an adequate increase in production. The managements mostly complied with the intentions of the workers.

Then the support of the trade unions was invoked, and, to enable them to fulfil their new function, they were reorganized according to industrial branches. In spite of all the efforts made, the terms of the collective wage agreements did not prove tight enough to prevent the manipulating of the norms.[1] The main motive of the resistance of the work-people against the proper handling of piece-rates was by no means political. Yet it was at the same time an expression of the fact that the rank and file of the workers did not identify themselves with the regime.

The enforcement of piece-work was coupled with a variety of devices to supplement the basic incentive. Steeply increasing premiums were awarded for achievements surpassing the stan-

[1] As pointed out in Chapter VII.

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433 level by about 50 per cent.[1] It had originally been caused by
461 unsatisfactory labour discipline, but a further deterioration was brought about by the speeding up which the labour contests induced. In a number of cases the increase of waste was an unmistakable sign of sabotage. Thus the problem of waste became one of national importance, and the necessity to deal with it was stressed again and again in the propaganda for raising productivity.

433 The intense efforts concentrated on this issue show that the question of productivity was felt to be one of the vulnerable points in the execution of the Plan.

MAN-POWER POLICY

464 The Three-year Plan was not designed to bring about full
[185] utilization of resources. Its natural effect was to raise the labour force in industry, but it did not look forward to the absorption of the entire available man-power reserves. It was not calculated to abolish altogether the chronic state of under-employment, which had been an outstanding characteristic of economic and social conditions in pre-war Hungary. Expanding industry was allowed to draw upon the man-power reserve through the mechanism of demand, as in the past. During the years between the two wars rural labour reserves were steadily attracted by industrialization, but the process was very slow in reducing the prevailing under-employment. Under the Plan the process of absorption was considerably speeded up.

In the absence of any comprehensive statistics on unemployment in Hungary, no official statement is available as to the size of the man-power reserve. The trade unions registered unemployment in industry, but there were no records regarding the main contingent of idle man-power, i.e. in agriculture.[2]

The only systematic approach to an estimate of agricultural under-employment is related to the year 1930.[3] In carrying out the inquiry, the amount of work required for the different

[1] Information leaked out on the unusually high rate of waste in some industries during the first half of 1949. In a foundry in Budapest, which had previously achieved outstanding performances, the waste was reported to have surpassed 6 and during one month even 9 per cent, compared with a pre-war figure of 2-3 per cent. In the whole of the weaving industry the waste fluctuated between 3 and 3·6 per cent; it attained in some of the factories 6 and, in exceptional cases, even 10 per cent.

[2] Had there been an unemployment insurance scheme, the numbers of those who qualified for benefit would have been recorded, but even so not the numbers of peasants whose efforts were incompletely occupied.

[3] Dr M. Matolcsy, *A mezőgazdasági munkanélküliség Magyarországon* (Unemployment in Hungarian Agriculture, Budapest, Hungarian Institute for Economic Research, 1933).

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branches of cultivation, given the existing state of mechanization, was first established. Average requirements per unit of area and year, measured in a man's working day, were stated as follows:

Pasture	1 working day	Horticulture	35 working days
Meadow	8 working days	Sugar-beet	40 working days
Cereals	8·5 working days	Tobacco growing	160 working days
Maize	22 working days		

The total amount of work required by farming, including stock-breeding, was calculated at 360 million working days. However, under conditions of full employment 471 million man-working days could have been done,[1] showing that 24 per cent of the agricultural labour power was utilized. Twenty-four per cent idle capacity in an active population of roughtly 2 million implies 480,000 'unemployed'. A method of comparing the working capacity of the active agricultural population with the amount of work required in agriculture does not, however, provide a substitute for statistics of unemployment. The committee responsible for the estimates and calculations was of a high technical standing. It failed, however, to approach the issue in a more realistic way by appraising the pure seasonal element of the calculated reserve. A certain amount of unexploited labour in recurrent slack seasons is unavoidable in agriculture. In Hungary the seasonal unemployment was of a much more serious character than in the Western countries with more intensive methods of cultivation. In a number of districts, especially in the Eastern parts, the labourers were for but three to four months of the year in regular employment, while during the greater part of the year they found casual work only. By improvements of agricultural production seasonal fluctuation of employment could, of course, be diminished.

A substantial amount of seasonal under-employment is in any case inseparable from agricultural work, and a substantial deduction must be made from the committee's estimate of 480,000 on that account.

An attempt was made to assess the surplus population in agriculture for 1937 in a study carried on by the P.E.P. Research Group on South-eastern Europe.[2] The group puts the figure of agricultural under-employment at 320 to 360 thousand. In addition industrial unemployment of 40 thousand was recorded. In this year mining and manufactures employed on an average 325 thousand work-people, 75 thousand more than in 1930. But

[1] Female and juvenile work reduced to man-working days.

[2] *Economic Development in S.E. Europe* (London, Oxford University Press for Political and Economic Planning, 1945), p. 39.

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464 the fact that in the course of seven years the number of the working population increased by some 200 thousand seems to indicate, even after taking account of possible extension of employment in professions outside industry, an agricultural man-power reserve of 360 to 400 thousand and a total unutilized reserve of 400 to 440 thousand if industrial unemployment is included.

The estimate of 400 to 440 thousand is practically applicable to the year 1938, with an employment of 330 thousand in mining and manufactures. That year, being accepted in the Report of the National Planning Department as representative for pre-war conditions, can be appropriately used as the base year in estimating the extent of the man-power reserves to be absorbed.[1]

There is still the question whether it is justifiable to accept pre-war estimates of man-power reserves when seeking to measure the scale of utilization of these reserves under the Plan. [161] Total population, numbering 9·20 million by the end of 1948, was slightly greater than that of 1938 (9·10 million). The war and its aftermath, together with the massacre of Jews, approximately offset the natural growth of the population during a decade. None the less shifts possibly occurred in the number of actively employable persons. The demand for labour in agriculture must have been, in particular, influenced by post-war conditions. Shortage of technical equipment and the urgent need of constructing accommodation on the newly-formed holdings were bound to create an extra demand for hands during the early post-war period. This extra demand had presumably begun to subside by the time the Plan started. Later on the progress of mechanization (establishment of tractor stations) and the improved supply of labour-saving equipment might have diminished the demand for labour. But the impact of the sub-

[1] In this context the question might be raised, is it justified to regard conditions in 1938 as representative, and, therefore, to choose this year as a basic period. In defining the economic position in this year the following facts have to be considered. Subsequent to the world economic crisis the turn of the tide was dated in Hungary from 1934. The upward trend gathered momentum during the years 1935–7, industrial employment showing higher records by the end of this period than during the boom of the twenties. The upward movement flattened out and the curve even declined, in some industries, during the first half of 1938. Yet the effects of a gradual downward swing of the business cycle were offset by the impulses emanating from the armament and public-works programme launched in the second half of the year. The support given to the domestic market by public orders also cushioned the repercussions of a decline in exports caused by the slackening of international markets. Though at the time conditions appeared unsettled because of political crises, employment during the whole of 1938 was maintained. In the light of statistical evidence a state of affairs prevailing in 1938, according to Hungarian standards of the inter-war period, was regarded as fairly 'normal', though, of course, nothing like a full utilization of resources had been approached.

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division of big estates into several hundred thousands of small units remained. The movement of population was not in itself such as to invalidate inferences from pre-war estimates of man-power reserves. The land reform on the other hand, brought about a shift in the agricultural labour market in tying much of the mobile wage-paid work-people to holdings of their own.

The National Planning Department presented the following comparisons on employment in the last pre-war year, the year preceding the Plan, and in the first Plan year; figures of the last column are based on estimates.

	1938	1946–7	1947–8	1949†
	Average number of employed			
Mining, metallurgy*	41,500	59,000	61,000	67,000
Manufactures	288,000	250,000	291,000	382,000
Transport	58,000	80,000	96,500	96,500
	387,500	389,000	448,500	545,500

* Coal mining with a share of about 90 per cent of the whole group.
† Estimates.

The table demonstrates: (1) that the number of employed in the three occupational groups together during the year preceding the Plan was practically the same as before the war; (2) that the Plan absorbed about 160 thousand workers. The figures do not include the building trade in which 120 thousand work-people were engaged, mostly seasonally, in 1938. Building activity suffered a depression, with only 30 to 40 thousand workers employed in 1946–7. Under changed conditions some tens of thousands of intelligent workers were occupied in the enlarged trade-union and party organizations. On the other hand, in 1938 the requirements of the armed services were at least 30 thousand higher than in 1946–7. There were some further factors tending to increase the supply of labour in industry and agriculture. Employment of domestic servants[1] greatly diminished compared with pre-war. Moreover, a number of workers formerly engaged in handicrafts were compelled by changed conditions to seek employment in industry.[2] The data quoted seem to indicate that, before the starting of the Plan, the unutilized man-power reserve was rather above than below that of 1938 (400 to 440 thousand). If this assumption was correct, it would follow that, taking account of the revival of building activity in the later Plan period, 45 to 50 per cent of the available man-power reserve had been absorbed in the

[1] They numbered about 150,000 before the war.
[2] In 1941 304,000 workers were employed in small-scale industry, in 1948 only 210,000.

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464 course of the Plan. Yet considerations regarding the possible impact of the land reform on reserves call for caution in drawing conclusions. Complaints of shortage of labour, increasingly voiced by the end of 1949, seem to indicate a shrinkage of available reserves. Shortcomings in organization might, of course, have contributed to the difficulties of labour supply apparently experienced at the closing Plan period. But if the labour reserve, in fact, neared exhaustion, that was only half due to industrialization under the Plan, and for the rest to the splitting up of the land, which, from an economic point of view, went much too far.

At an early stage of the Plan the shortage of skilled labour led to the intervention of the Planning Department, which, in conjunction with the Ministry of Industry and in co-operation with the trade unions, provided training courses. But, apart from that, the supply of labour from the reserves was such that the recruiting of man-power caused no difficulty, and no comprehensive central control over the labour market was instituted till August 1949, to take effect in the course of the following eight months. A department was then established to take over the labour exchanges which had been run by the trade unions, and to regulate the labour market by plan.

Under conditions prevailing in Hungary even the steep rise in industrial production, as achieved under the Plan, could only gradually abate under-employment; the more so, as it was one of the main objectives of the Plan to raise labour productivity. In so far as this objective was realized employment would not increase in proportion to output. The Hungarian planners, when trying to enforce rationalized methods of production, were, of course, aware of the consequences to employment. The head of the National Planning Department said in his account of the first Plan period: 'The Three-year Plan deals with industrial unemployment and makes a start in liquidating unemployment in agriculture, which assumed vast dimensions during the past decades'. Unemployment registered as industrial was always but a small fraction of the unutilized man-power reserve. But the idea was that the full use of these resources might be realized under a second Plan.

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CHAPTER XI

REPERCUSSIONS ON INTERNAL STRUCTURE AND EXTERNAL RELATIONS

INTERNAL STRUCTURE

THE programme of reconstruction and expansion of industry contained in the Plan was, on broad lines, realized. Industrial equipment was not only replaced after the damage suffered, but considerably improved, even if allowance be made for concealed arrears of replacements. In agriculture some steps, though not decisive, were taken towards mechanization, based on a network of State-owned tractor stations. The rate of recuperation was speeded up by the development scheme.

In manufacturing industry structural changes took place. The shift towards the capital-goods industries has already been described from different aspects. The idea was, by means of the structure, to lay the foundation for a large-scale industrialization. In the light of recent developments it should be remembered, however, that the Hungarian production of capital goods is by no means destined for the exclusive supply of the home market. A considerable part of the output of heavy industry is earmarked for reparations, a further part—consisting mainly of vehicles and products of electrical engineering—is destined for export to the Soviet Union under commercial agreements. Even so, these exports left a margin for re-equipping Hungarian industry and transport. The trend of development is shown by the fact that during the closing Plan period the production of the capital-goods industries exceeded by 74 per cent the pre-war level, in contrast to a rise of about 20 per cent in such important consumer-goods industries as textiles and footwear.

An additional employment of 175,000 workers in mining and manufacturing industry, amounting to an increase of 56 per cent over 1946–7, made a start in drawing off the man-power reserve from agriculture.[1] The rapidity of this process as it developed in 1949—even apart from the shortage of skilled labour—might have caused local tensions in the labour market, as the recruiting of the reserves was not organized. The under-employment of man-power in Hungarian agriculture was partly a consequence of the subdivision of the land into very small

[1] The figures relate to the number of employed by the end of 1949, if yearly averages are compared the increase amounts to 45 per cent.

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464 units, and the rate at which it could be eliminated was uncertain. As to the scale of industrial employment brought about by the Three-year Plan, it was not unprecedented, for a similar level had been recorded in 1943, though only at the peak of the war-time efforts.

A rise of the labour force in manufactures up to 415,000 (excluding small-scale industry and the whole building trade), together with an additional 70,000 employed in mining, could not be qualified as a new phase of the industrial revolution in face of a total actively engaged population of 4·3 to 4·5 million.

433 Nevertheless the Plan did bring about a change, and a definitive one, in the economic position. Not that it altered the economic structure of the country, for the changes in industrial production were mostly through extensions at existing centres. Besides the re-equipment of a great number of workshops, there were, of course, new factories built. In line with the much boasted self-sufficiency in capital goods, the engineering industry was set the new task of extending the scale of machine-tool production, a section hardly existing previously in view of a restricted

[371] market. For an external observer the most conspicuous change in the field of industrial development was perhaps the expansion of power generation. It was raised by 70 per cent in comparison with pre-war production. Besides providing sufficient current for industry, the extension resulted in the inclusion of quite a number of country districts, hitherto without electric current, in the network of supply. Still, the general picture presented by Hungary's economy at the close of the Three-year Plan, in so far as the degree of industrialization was concerned, did not fundamentally differ from that remembered in pre-war times: an agricultural country on its way towards industrialization. The change-over to an industrial community is to be realized by the new Five-year Plan contemplating an industrial labour force exceeding the million mark at the end of 1954. This programme requires the establishment of a great number of new factories. Accordingly it is intended to spread industry over the countryside and also to create new industrial centres.

TRADE RELATIONS

241 423 An appraisal of trends in external relations appears possible only if viewed against the background of pre-war conditions. In this context changes in agriculture—past and impending—are of consequence.

In replacing large-scale farming by subsistence farming on one-third of the agricultural area, the land reform tended to

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which were stressed for reasons obvious at the time, when the more intensive nationalization of industry had been proclaimed. The issue on which divergences of opinion between the planning authorities and private enterprise mostly arose was that of investment. The entrepreneurs were in many cases not satisfied that the capital extensions suggested would in the long run prove remunerative. They were also reluctant to incur indebtedness for the purpose of new investment. However, differences as to the expediency of projects did not stand in the way of a considerable investment activity, even outside the nationalized industries during the first phase of the Plan. Moreover, the number of controversial cases might have been reduced by having recourse to more discriminating methods of selection among investment projects than were practised by the Hungarian planners.

Evidently the period during which the system of mixed economy lasted was too short for valid conclusions to be drawn from the experience gained. Even if this period had been more than a short interlude, the results of the Plan would have had little bearing on the possibilities of planning in a Western democracy. The vesting in the planning authority of almost unlimited power to enforce the execution of the Plan was not consistent with democratic principles.

Started under conditions of heavy under-employment, the Three-year Plan constituted a period of transition, shaping economic life towards a full use of productive resources. This objective is to be realized under the second Plan, introduced in January 1950. It is remarkable that obstacles to the tapping of the rural man-power reserve became apparent as early as the close of the first Plan. These difficulties might have their origin in the special conditions of Hungarian agriculture as well as in defects of organization. To counter them, propaganda has been launched to employ female workers in every branch of industry, including heavy industry. With a further rise of industrial employment and growing difficulties in drawing on the man-power reserve, this trend of recruiting women will be intensified, and will impart the character of a war economy to industrial life in Hungary.

The nearer the objective of establishing a full use of productive resources is approached, the more the conditions of planning will change. When the labour reserves have been absorbed, it will no longer be possible to reach production targets by means of another more costly combination of factors than originally planned. Fulfilment of the Plan will then necessitate a

3:Kemeny G-5 (1945-48)1952 EC1 Hungary EC1

TABLE II

LABOUR

Labour Force (yearly averages)

	1938	*1946–7*	*1947–8*	*1949*
Mining, metallurgy	41,500	59,000	61,000	67,000
Manufactures	288,500	250,000	291,000	382,000

Wages

Average daily earnings in Mining and Manufactures (in forint)

Quarter to	*1946*	*1947*	*1948*
March	—	12·90	18·20
June	—	14·96	—
September	10·14	17·89	—
December	12·26	17·80	—

Average hourly earning in Manufactures (in forint)

October 1946	1·29
Average 1946–7	1·70
Average 1947–8	2·71
August 1948	3·07
July 1949	3·50

DISTRIBUTION OF OCCUPATIONS

Census 1941

	Working Population		*Non-earning Population*		*Aggregate*	
	Thousands	*% of Total*	*Thousands*	*% of Total*	*Thousands*	*% of Total*
Agriculture and forestry	2,154	47·8	2,383	49·5	4,538	48·7
Mining, metallurgy	55	1·2	111	2·3	166	1·8
Industry	1,057	23·5	1,142	23·7	2,199	23·6
Commerce and banking	260	5·8	256	5·3	516	5·5
Communications	140	3·1	234	4·9	374	4·0
Civil service and professions	230	5·1	242	5·0	472	5·1
Armed forces	128	2·8	30	0·6	158	1·7
Domestic servants and casual workers	201	4·5	51	1·1	252	2·8
Rentiers and pensioners	200	4·5	186	3·9	386	4·1
Not specified	77	1·7	176	3·7	253	2·7
Total	4,505	100·0	4,815	100·0	9,320	100·0

destruction. The power, aluminum, heavy chemicals, rayon and oil industries owed some of their best and largest plants to the program. The achievements of the postwar Three Year Plan, and to some extent even those of the First Five Year Plan, rest on the foundations laid by the prewar Billion Pengoe Investment Program. The extent of industrialization can best be measured by the number of factory workers which increased from 289,000 in 1938 to 392,000 in 1943. By comparison, the total increase in the 1925-1938 period was from 199,000 to 289,000.

Parallel with the program of industrialization there was significant social progress, some of it financed out of funds provided by the government under the plan and some of it out of the profits of industry running in full gear as a result of government spending. Health services in rural areas were improved. State-sponsored cooperatives were started to cope with rural under-employment and the rehabilitation of peasants owning less than subsistence farms, so called "dwarf-holders." The limit, which was somewhat arbitrary, was 2.9 hectares. Paid holidays and family allowances were introduced for industrial workers, wage boards were set up to fix minimum wages both in industry and agriculture, and some progress was made in the resettlement of the landless agricultural population.

By comparison, in the ten-year period 1927-36, the number of new dwellings constructed in urban areas was around 10,000 per year, half of which were in Budapest. The total number of newly constructed dwellings (urban and rural areas together) ran into 36,000 per year in the ten years following the first World War, a period of marked building activity.

Employment and Productivity

The plan counted on a moderate increase in the industrial population which, however, did not require large-scale redeployment of the labor force. It could be achieved largely by absorbing the unemployed, ordinary and political, the domestic servants thrown on the labor market as a result of the social transformation, and the large number of women seeking industrial employment who had not been forced to do so before. The expected increase of the working population in the manufacturing and mining industries was 10 percent in the first year, 9 percent in the second, and 7 percent in the third. As their number was 345,000 in August 1947, the final figure was expected to be 410,000.[38] In 1938, the corresponding figure was 330,000 and it rose to 470,000 in 1943. Thus the surplus population in agriculture could not have been tapped to any extent by an increase of that order.

At the end of the first year, the number of workers in mining and manufacturing reached a total of 350,000 and was less than expected. The Final Report claims an increase of 82,000 in manufacturing and one of 11,000 in mining in the course of 1949, giving a total of 443,000 at the end of the year which is higher than the goal set for July 1950. A large number of the new recruits were women.

There was a great increase in the number of transport workers mainly on the railways. The final figure is not available, but in December 1948 their number was 102,000, 18 percent greater than in mid-1947, and 76 percent greater than in 1937-38.

The total number employed in the building trade, by then largely nationalized, was claimed to be 120,000 at the end of 1949.[39] An increase of 69,000 was said to have taken place in the course of the year which saw the elimination of the seasonal character of building.

38. The base and the target are not clearly given in the blueprint, and the target figures quoted should be regarded as approximate.

39. The census figure (December 1930) was 87,000 employees and 23,000 self-employed. But there was a large influx of semi-skilled labor in the building season.

185 x 464 According to the Final Report, a shortage of labor became apparent and in every month of 1949 about 10,000 vacancies could not be filled because of the lack of workers, especially skilled workers.

185 x 461 Productivity in the manufacturing industry is claimed to have increased by 40 percent in the first year, by a further 16 percent in the course of the Five Months' Drive in 1948, and another 25 percent in 1949, giving a total increase of 103 percent over the whole twenty-nine months' period. In comparison with 1938, productivity in 1946-47 was estimated to be about 59 percent. It rose to an average of 83 percent in the first year, 96 percent in the second half of 1948, and in 1949 it was claimed to have surpassed the prewar level by 20 percent.

Very few data are available concerning changes in physical output per worker. Some very careful studies have been made of productivity which, however, do not cover the whole period. According to these, net productivity in the iron and metal industry was about 80-85 percent of prewar, in engineering 70-75 percent, and in textiles 75-80 percent when the plan started. All available information points to a continued, although not uninterrupted, improvement. At the end of 1948, net productivity in the textile industry was slightly above prewar. The fluctuating figures for the first five months of 1949 showed a moderate decline. In engineering, where the 1938 level was reached toward the end of 1947, net output per hour, calculated at current prices, very nearly doubled in the period 1 January 1948 - May 1949. Calculated at constant prices the increase must have been considerably smaller.

In coal mining, output per man-shift (all workers) was 0.58 tons in August 1947. It rose to 0.82 tons in November 1948. No figures have been published since. The prewar output was 0.95 tons.[40]

The evidence presented at the Conference of Building Workers early in 1949, and the subsequent purge of their trade-union, indicated that output per man-hour must have been below prewar and improvement was much less marked than in industry.

In transport, output per worker seems to be below prewar as the increase in the number of workers was greater than the increase in the volume of traffic.

In agriculture, with no appreciable change in the working population and an output below prewar levels, productivity per worker seems to have been also below the prewar figure.

40. Output at the face was 2.26 tons, 2.43 tons and 2.83 tons respectively.

information suggests that the budgeted sum corresponds roughly to prewar investments in housing.

The building industry will be mechanized and mass production methods will be introduced in building. Total investments are slightly below 1.0 billion forints.

Transport and Communications

The capacity of the transport system is to be increased by 60 percent over the 1949 level. By 1949 the prewar capacity had on the whole been reached, although some bridges were still replaced by temporary structures and some of the rolling stock was in bad repair. Against that stood the large increase in the number of trucks and buses. Investments totalling 7.5 billion forints provide for the construction of 150 km. of new main-line railways, 605 km. of arterial highways, 2,250 km. of secondary roads, the construction of ten large bridges and a number of smaller ones, mostly to replace the temporary structures, and five new harbors. Also the first line of the Budapest underground railway will be completed. There is no indication where the new railway line or roads are going to be built. Nor is reference made to the Danube-Theiss canal on which construction work was started in the spring of 1949 under the Three Year Plan.

As well, the rolling stock for the railways will be increased by adding 4,400 trucks. The number of passenger automobiles will be increased by 14,000, and that of trucks by 23,000. The Danube fleet will be increased by building two passenger steamers, six tugs, fifty-nine barges and three seagoing vessels.

The capacity of the telephone and telegraph systems will be 67-70 percent greater in 1954 than before the war.

Employment and Productivity

The realization of the First Five Year Plan will require a considerable redeployment of the working population of Hungary. As pointed out earlier, the Three Year Plan did not affect the pattern of employment to any large extent, especially insofar as the agricultural population was concerned. Under the Five Year Plan, the number of workers in manufacturing and mining will have to be increased by 430,000. At the end of 1949, their number was about 440,000. In five years it will nearly double and reach 870,000 in 1954. No details are given concerning the distribution and composition of the labor force except that nearly 60 percent of the new workers would have to be skilled. To provide enough skilled workers, the rules governing the training of apprentices have been revised. The number of specialized

185 464 schools in various branches of engineering was increased to provide technicians in adequate number. The additional labor will have to be drawn from the laborers in small crafts, from distribution, and from agriculture. In 1948 the number of small craftsmen was around 410,000, while distribution gave employment to some 160,000 people. A 20-30 percent decrease in five years could set free some 150,000. Women in domestic service or not gainfully employed are another important source of labor and there is every indication that great efforts are being made to bring women into industry, even into heavy industry and mining. By far the most important source, however, is agriculture. There are those who could not be given land in 1945, some 150,000-200,000, and finally there is an additional surplus population which, if mechanization is pressed, could easily provide another 200,000-250,000. Normally, the natural increase of the agricultural population would add about 30,000-40,000 per year to the labor force. The expected rise in industrial employment would thus not exhaust the reserves and would not be unattainable because of lack of manpower.[16]

185 461 The productivity of industrial workers is expected to increase by 50 percent relative to 1949. It was claimed that by then a level of 20 percent above 1938 had been reached. The expected improvement would bring it to a level of 80 percent above prewar. The expected improvement in productivity - and the desired 25 percent reduction in costs of production - will be brought about by new investments resulting in the mechanization of the production process and the modernization of plants, by further reorganization of industry, increased specialization of individual plants, reduction of the number of models produced, etc. Encouragement will be given to inventions and innovations through prizes, the "socialist competition" will be broadened, and the Stakhanovite movement strengthened. Last, but not least, further refinements of the piece-rate system will compel all and sundry to produce more and open up "latent reserves."

16. The gainfully employed population in agriculture numbered 1.6 million men and 0.5 million women. (1930 census. This is the last prewar year for which complete census data are available. The detailed results of the 1941 census have not been published.) The total increase of the agricultural population from 1930 to 1941, the last prewar census, was 38,000. No postwar data are available concerning the distribution of the population by industries. The total population at the end of 1948, the date of the last census, was 9.2 million as against 9.3 million at the end of January 1941.

34 percent. Iron, metal and engineering showed a 41 percent increase. 433

Output of the principal goods is quoted on the basis of the percentage of output in the corresponding period of 1949 and the list of goods is very restricted. Output of coal was 20 percent, oil 3 percent, iron ore 16 percent greater. Output of power increased by 21 percent. The output of producer goods seems to have increased considerably more than that of consumer goods. Phosphate fertilizers, cement and tractors head the list with 132 percent, 109 percent and 91 percent increases, respectively. The production of woolen and cotton fabrics increased by 8 percent only.

The volume of building was claimed to have been as great in the month of March as in the first quarter of 1949. Private information received from Hungary substantiates the claim to high building activity. But most of the buildings seem to be government offices or factories.

It is claimed that the number of workers in mining, industry and building increased by 27,000. If the estimate of their number at the end of 1949 was correct, 440,000 in mining and industry and 130,000 in building, the increase amounts to 4 percent. Accelerated training courses had been completed by 13,400 apprentices, 5,300 of them in the iron, metal and engineering industries. It is not clear whether they were included in the figure quoted above. 464

Productivity in the heavy industries showed a slight decline against December 1949, the postwar peak, while light industry recorded a 7 percent improvement over the same period. Average hourly wages increased by 8 percent in the manufacturing industry, bringing with them a corresponding increase in real earnings as there was no change in the cost of living. Private sources report a shortage of some important foods which does not seem to be reflected in the cost-of-living index number. 461 465 433

Railway traffic is claimed to have surpassed the corresponding 1949 figures by 35 percent in ton-miles and 22 percent in passenger-miles. 497

Both the number and the turnover of state wholesale and retail stores and cooperative village stores were reported to have increased considerably. 438

Investments were 58 percent greater than in the corresponding period last year; that is, the state invested 1.2 billion forints against 0.7 billion last year. 454

THE FIRST HUNGARIAN FIVE YEAR PLAN 1950 - 1954 61

Building activity has been speeded up. In comparison with the corresponding period last year, the volume of construction of buildings of all kinds was 152 percent greater and in other constructional work 237 percent. Over the period the number of workers engaged in construction work increased by 26,000.

At the same time an increase of 17,000 workers was claimed in the mining and manufacturing industries. As the increase was reported to be 31,000 in the first quarter of 1950, the total increase in the first half of the year would be 48,000. At the end of 1949 the total number of workers in mining and manufacturing was an estimated 440,000, and in building an estimated 130,000.

In contrast to the first quarterly report, the second quarterly report keeps silent on the question of productivity and wages.

Passenger-miles and ton-miles of the railways were above those in the corresponding period in 1949 by 32 percent and 18 percent respectively.

Both the number and the turnover of the state and cooperative village stores were reported to have increased considerably.

Investments of the state, now the only investor, amounted to 1.8 billion forints against 1.2 billions in the first quarter. Very reticent on the matter of finance, the report only states that the expanded investment program did not affect the balance of the budget.

A few weeks before the report[1] was published, the Chairman of the People's Economic Council reported on the progress of the people's economy to the Central Executive of the Hungarian Workers' Party. The picture he drew was in some ways more revealing than the text of the report, and fits better into the picture that can be pieced together from events and incidents reported in the party press, from information that trickles through, and from the government measures.

According to the statement, the wage bill in the manufacturing industry increased by 24 percent between April 1949 and April 1950, while the increase in real wages was even greater. Increases in other employment were smaller but still considerable. The Five Year Plan anticipated an overall increase in the standard of living of 35 percent in five years. But in the first four months of 1950, real earnings per capita in the manufacturing industry increased by 18 percent while this improvement was accompanied by an increase in productivity, as measured in volume of output per working hour, of only 9 percent. In comparison with prewar, the level of real earnings was 62 percent greater.

[1] [i.e. the second quarterly report of 1950 – Analyst]

9: Eppstein S-4 (no date) 1945 EC1 Hungary EC1

threshing, etc. are done centrally. Many big owners, of course, own several estates, and often lease some of them.

Manual labour is very extensively used, even on the largest estates, which employ many more labourers than modern farms of the same size in England and, correspondingly, fewer machines. This is partly due to habit, partly to shortage of capital which has prevented the landlords from buying machinery. But it is also due to deliberate government policy; for the landlords were encouraged to go on using manual labour in order to save the farm-hands, for whom no alternative employment could be found, from falling into complete destitution. This policy was necessary, since there was not enough industry to absorb the surplus people from the land, but it naturally added to the difficulties of Hungarian agriculture, since, however low the wages that were paid, they yet formed a heavy charge on the landlord's balance-sheet. Since the outbreak of the present war, this had led to a new difficulty. Much of the labour has been drawn off for military service or by the needs of munition industries, but Hungary has not been able to manufacture, or to buy from Germany, the machines necessary to replace the old hand-labour. Agriculture has therefore, been suffering from a severe shortage of labour, which has affected the whole of production.

THE STANDARD OF LIVING. The living standards of the smaller peasants and of most of the agricultural labourers are extremely low. Their cottages look picturesque, but their walls of sun-dried

9: Eppstein S-4 (no date) 1945 EC1 Hungary EC1

342 brick, earthen floors and thatched roofs make them
511 damp and unhealthy. The peasants eat very simply and the poorest among them, the seasonal labourers, are often literally half-starving during the months before harvest.

511 This can be paralleled in many other countries
464 of Central and Eastern Europe, for in most of those countries all standards are far below those obtaining in Britain. Indeed, owing to the fertility of the Hungarian soil, even the poorest classes there still live better than the inhabitants of many other districts, especially those of the barren, rocky parts of the Balkans. In fact, the whole of Eastern Europe suffers from the same root evil of overcrowding on the land. In the past hundred years the population has increased very rapidly. While in Western Europe, when the same increase took place, the new industries were able to absorb the workers for whom there was no room on the land, in Eastern Europe, where capital was scarce, industry developed more slowly, and could only give employment to a small proportion of the growing country population. Before the last war there was
[167] a very large emigration to America from all the East European countries, including Hungary, but for the past twenty years the United States have admitted few immigrants. This is perhaps the chief reason why the position has continued to grow worse, although the falling birth-rate and the rather faster development of industry have brought some relief.

565 **SOCIAL INFERIORITY OF THE PEASANTRY.** Where
423 the Hungarian small peasant or labourer is so

9: Eppstein S-4 (no date) 1945 EC1 Hungary EC1

it is difficult to say, for the events of 1944 have deepened the consciousness, even among those who repudiated the excesses, of the difference between the two races, and the problem of finding jobs for the younger generation of non-Jews is not likely to have become easier.

LIFE OF INDUSTRIAL WORKERS. About a quarter of the population of Hungary is employed in industry. The term covers all industrial processes, down to the village smith or carpenter, and nearly one-half of the persons listed as 'industrial workers', are in fact artisans or home-workers or employed in very small concerns with perhaps only one or two assistants. The government has always been anxious to encourage this smaller industry, both as a means of relieving rural unemployment and as constituting a social, dependable, God-fearing element of the population.

The other and greater half are the factory workers, employed in larger concerns with a pay-roll of ten or more. The most important of them are the great Manfred Weiss munition and metallurgical factories on Csepel Island, south of Budapest. There is a big iron works, belonging to the State, at Diosgyör, another munitions factory at Gyor, and some sizeable textile factories in Budapest. Outside Pécs, there are local mines. All industry developed quickly after the outbreak of war, to meet the needs, not only of munitions, but of other supplies for the army.

The position of the industrial workers in Hungary is, on the whole a good deal more satisfactory than that of the workers in the villages. As in every

THE OIL INDUSTRY IN THE HUNGARIAN ECONOMY

315
473 duction was thus available for the armed forces or for export to Germany.

A new operating company, the Hungarian-American Oil Company (MAORT), a subsidiary of Eurogasco, obtained a forty-year concession soon after the Lispe discovery under the same arrangements as had been made with Eurogasco whereby the royalties to be paid to the government were fixed at 15 percent of the crude oil and 12 percent of the marketed natural gas production. MAORT achieved such successful results that in less than six years it became Hungary's third largest industrial enterprise and, considering the indirect effects, probably the largest single corporate contributor to the national income.

241
439
652 During the late thirties the economic aspects of agriculture improved due to ever increasing agricultural exports to Germany under the Hungarian-German trade agreements, even though protection of industry remained the official policy of the government.

721
131 In 1938 Hungary began to rearm. With Axis support parts of the territories lost in 1920 were recovered from Czechoslovakia in 1938 and 1939, from Romania in 1940, and from Yugoslavia in 1941. As a result, the country's area increased from 93,073 square kilometers in 1938 to 170,869 square kilometers in 1941 with a corresponding increase in population from less than 9 million to 14.6 million. In 1941 Hungary entered World War II on the German side.

433
●464 Rearmament, the recovery of about half of the pre-Trianon territory, and finally war gave a tremendous impetus to the economy. Industrial employment rose from
241 289,000 in 1938 to 392,000 in 1943 (excluding the recovered areas), and, for the first time, the value of the industrial output surpassed the value of agricultural production.

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434
185 Government controls gradually increased. The allocation of raw materials and the rationing of food and gasoline were introduced, and for the first time in Hungarian history the government embarked on large-scale economic planning.

THE OIL INDUSTRY IN THE HUNGARIAN ECONOMY

382 that industrial demand for oil reached at least the wartime peak, and very probably exceeded it.

185 382 497 In transport the plan called for the restoration of prewar capacity with a few improvements added and imposed no insatiable demands on the oil industry. No dieselization of locomotives had been carried out before the war, and none was scheduled by the plan. In 1948 the Hungarian National Railroads used only 1,740 tons of oil, compared with 1,584,000 tons of coal and 33.24 million kilowatt-hours of electric energy.

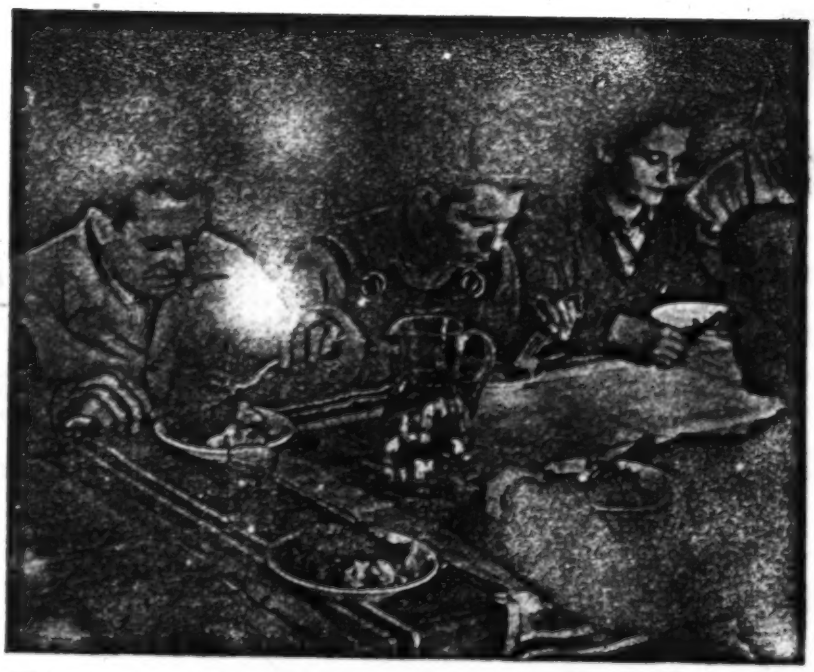
398 In the final plan report it was mentioned that there were "fewer" passenger cars in 1949 than the 18,900 listed in 1938. The number of buses, however, increased 50 percent from 700 in 1938 to presumably 1,050 in 1949. According to similar calculations, there were 9,500 trucks in 1949 compared with 3,800 in 1938.

362 374 As no appreciable quantities of oil were used for the heating of private homes the 120,000 cottages built in rural areas during the plan period had no effect on oil consumption; and the total number of new apartments built in two and a half years in urban areas was only 5,200 compared with the prewar average of 10,000 annually.

464 [316] Employment in mining and manufacturing (excluding handicraft) rose from 330,000 in 1938 to 443,000 by the end of 1949 but was still below the 1943 level of 470,000. Of the 1949 figure mining accounted for about 75,000 as [489] compared with 49,000 in 1938. There were very marked [331] increases in the transportation and building industries, each employing about 120,000 persons.

241 Despite the impressive increase in industrial strength in the years 1938-1949, Hungary remained an essentially agrarian country. Agriculture remained by far the most important single industry, employing an estimated 1,960,000 persons, or 46.4 percent of the working population.

000 Operations in the oil fields had been little disturbed



Well prepared meals in pleasant surroundings in the factory dining room.

this 60 per cent is equivalent to the wages he earns in 15 minutes.

After dinner he resumes his work. The shift is soon over; at 3:00 P.M. it is done. He doesn't go home immediately, however, but spends about an hour teaching the new workers. . Some of these are peasant youths who have recently come from the country; others have been doing different work up to now—these are the "re-trainees."

Manpower administration is one of the most important problems of Hungarian industry. The threat of unemployment, of an insecure future, is a thing of the past in Hungary. Today there is a shortage of skilled labor in certain fields of industry. Industrial re-training helps towards the solution of this problem. Every skilled worker of every Hungarian factory considers it his duty to participate in this great educational work, the training of new skilled

464 workers. In the Five Year Plan the country needs 650,000 new workers for the realization of the tasks before it, and part of this tremendous number of workers is being trained by Ferenc Gergely and his fellow workers with affection and patience and the ambition to turn out skilled workers worthy of their masters.

462 Among Ferenc Gergely's apprentices the most skillful is Mrs. Istvan Kincses. She is a diligent and ingenious young woman who came to the capital from the country. For a while she busied herself at home, in her little household, but when she saw that all careers are open to women as well as to men and that no differences are made between men and women as far as work and wages are concerned —she decided to become a skilled worker. She has been [874] working with Ferenc Gergely for almost a year, and four times a week she attends evening classes of the Secondary School for Working People. This new type of school was instituted by the People's Democracy for those who in the past had no opportunity to study and now want to make up for lost time without, however, giving up their work.

Mrs. Kincses will soon be a skilled worker or even a stakhanovite, clever and ambitious as she is. Or a technician or even an engineer if she wins her matriculation certificate at the Workers' School and decides to continue with her studies. Her future is in her own hands. Women are no longer inferior, badly paid workers in Hungary, a kind of "ersatz-manpower," as they used to be in the past. She has the same rights and the same opportunities her male fellow workers have. There are tens of thousands of working women in every branch of industry, in every factory and plant, in transportation, in the offices and in public administration, in the fields of education, arts and sciences, who do their jobs and are paid the same as the men.

562 745 The people's state takes particular care of its working women. As provided by law, they are entitled to three months maternity leave with full pay, or, should their

161 This trend ? was aggravated by the fact
458 that Hungary was such a densely populated state. The
241 density of her population amounted to almost 100 people per square kilometre. Due to the low agricultural prices prevailing generally in the world, to the keen foreign competition and to her dependence upon the exportation of raw products it was almost impossible adequately to maintain the agrarian population by the cultivation of the soil.

728 While her old Austro-Hungarian market of 58 million
439 people was reduced to a market of 7·5 million, she was
652 burdened in addition with large foreign debts which could only be paid by agricultural exports. Owing to political considerations, the surrounding countries, instead of absorbing the Hungarian surplus products, boycotted her during the early post-war years. Added to this, the economic and other restrictions of the peace treaty made it impossible for Hungary to pursue an independent economic policy serving the true needs of the country. Not until eight years after the end of the first world war was the Government able to introduce an economic policy (industrialization, protective tariff system etc.) which could meet the challenge of the density of population and prevailing unemployment.

728 The difficulties of the post-war years were aggravated
464 by the existence within her borders of hundreds of thousands of refugees from former Hungarian territory. Our educated classes had grown numerically so great that it was practically impossible to find places for everyone in
652 the administration and economic systems. Millions had
185 to be spent on measures serving solely charitable purposes out of the proceeds of production and out of greatly decreased state receipts, which fell off as a result of the effects of the war. Therefore, for the first few years, no

? [i.e., a reversion to more primitive conditions -- Analyst]

II. GENERAL SOCIAL POLICY.

Problems of the Civil Service.

The most pressing problem to be met during the critical situation brought about by the Treaty of Trianon was that dealing with the distressing plight of the educated classes. Countless obstacles hindered the employment of educated youths. Since the country had to be reorganized after the first world war and the ensuing communist revolution, the problems of the civil servants occupied a prominent position and had to be dealt with regardless of the almost insurmountable difficulties.

Since 1918 the salaries of the civil servants have been raised several times when compatible with the national budget. Social considerations played a prominent part in this respect in so far as the ratio of increases in the lower brackets was higher than in the upper ones. Again, when conditions necessitated salary cuts, those in the lower brackets were given similar proportionate consideration. It is worthy of note that the interests of family protection were always given foremost consideration, and the adjustment of family allowances was always on a progressive basis.

This policy has the following result; while a civil servant in the fifth grade receives not quite 70% of his 1918 salary, those in the eleventh grade receive 110%, and some messengers 140%. The family allowance of a civil servant in the eleventh grade was 10% of his salary for his wife and each child. Now he receives allowances on the following scale: 30% of his salary for his wife, 30% for his first child, 30% for his second, 35% for his third, 42% for his fourth, and 50% for his fifth child.

camps and by supplying clothing and shoes to the needy members. As all young men are members it is the most wide-spread organization in the country both from a national defence and social welfare standpoint.

III. AGRARIAN SOCIAL POLICY.

In the first decade following the Treaty of Trianon social conditions in the rural districts deteriorated in consequence of the changed economic structure of the country, which was aggravated by the following conditions. The supply of labourers far exceeded the demands made by diversified farming, the apportionment of the land in certain districts was very unequal, the distribution of the rural population varied greatly and the ranks of the rural proletariat were enormously increased.

Fifty-two per cent. of the Hungarian population is engaged in farming. Two thirds of this number (3 million including their families), were farm labourers and small farmers who had to supplement their meagre incomes by working for wages on larger farms. The density of the rural population was 59 persons per square kilometre, twice as much as the density of the Danish and French rural population and decidedly more than that of Germany. It goes without saying that the density of the agrarian population in Eastern Europe is much less than in Hungary.

In a less accentuated form the agrarian problems of present-day Hungary are the same, since the re-occupation of former Hungarian territories hardly altered the situation. The land reforms carried out by the Succession

Protection of the agricultural labourers.

745 In spite of all the difficulties inherent in the years
241 of depression following the first world war, the Government introduced social welfare measures which will have their beneficial effects on the welfare of the agrarian population for a long time to come.

465 These measures were taken by the Government as
468 far back as 1923. Act XXV of 1923 laid the foundation for the regulation of minimum wages for farm labourers, another law (Act XXIV of 1923) regulates the legal procedure in wage disputes, a third law (Act XI of 1923)
[476] secured subsidies for the co-operative societies of farm labourers. The interest of the farm labourers under contract was promoted by Act V of 1933 in a marked degree by regulating the forms of contracts.

Minimum wages.

465 Since the minimum wage act of 1923 only regulated
241 the wages of day-labourers, in 1940 a new law was enacted which extended the benefit of minimum wage legislation to all kinds of farm labour. In conformity with the provisions of this law the minimum wage standards are fixed in each county separately according to subsistence standards, value of labour and working conditions prevailing in the county. Care was taken that laws enacted for the protection of labour should be enforced. To this end the agricultural labour inspection bureau was established, which is entrusted with the task of enforcing the provisions of the law.

Employment bureaux.

464 At the time of the establishment of the labour in-
241 spection bureaux the state modernized the agricultural

labour exchange offices. In the forty years of their existence these exchanges did valuable work and their efficacy was greatly increased by their reorganization and by appointing labour inspectors to their staff. Under the new system 100,000 labourers were provided with jobs in 1940 and more than 164,000 in 1941. The activities of the labour exchanges have somewhat diminished lately on account of the war-time shortage in labour, but the demand for their services will increase in the future. The present organization is able to equalize the shortages in agricultural labour existing in some places and the over-supply in some others while impartially observing the true needs of the labour forces.

Social insurance.

The establishment of the social insurance system for the agrarian population and the adequate protection of their interests depended on the producing capacity of the country and was affected by the limited possibilities of the years of depression. The various branches of social insurance covering agricultural workers were established as soon as the depression was eased. In 1936 the retirement pension system for farm overseers (Act XXXVI), in 1938 the old age pension system for farm labourers (Act XII), and in 1939 widowhood benefits (Act XVI) were established by law and in the meantime important new bylaws regulated and increased the services of the forty-year-old accident insurance system.

OMBI.

Two institutions are responsible to-day for the social insurance of the farm labourers. One of them is the OTI,

800 districts by 2100 separate organizations assisted by 1200 Green Cross Nurses.

The following organizations also help in the work of raising public health standards in rural districts: the National Child Welfare Bureau, Children's Hospital Society, five colleges for Green Cross nurses, four medical institutions for combating malaria, a research institution in influenza and other epidemics, and lastly the institute for maintaining an adequate supply of pure drinking water. The latter examines more than 30,000 wells each year, and has arranged for 1700 new wells to be sunk. Up to date 200 public health centres are housed in their own buildings.

IV. PROMOTION OF INTERESTS OF LABOUR.

Historical background.

The legal system devised for the protection of labour had to be reconstructed in the years following the 1918 collapse.

The movement to protect the wage-earners from exploitation arises from laws enacted during the early 'forties of the last century when the industrialization of the country was started on a large scale. The restriction of child labour is the oldest example of protective legislation. The corresponding act of 1840 (Act XVII) was not only the forerunner of similar legislation in several other European countries but it was wider in scope.

A statute passed in 1848 limited the working day to nine hours for minors. The labour act of 1878 prohibited the employment of children under twelve years of age and made provision for the protection of apprentices and women.

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Limitation of night work.

In 1923 a law (Act XV) regulated labour conditions in the baking industry. The working day was limited to 8 or 10 hours, night work was prohibited and rest periods were ordered. Since then the 10-hour working day provisions of the law have been superseded. In the same year the proper ministry was empowered by Act XVI to forbid night work by administrative orders in industries where it was not absolutely necessary. Under this law night work was prohibited in the meat industry.

Protection of women and minors.

Act V of 1928 fully covered the whole field of the employment of children, women and minors. The law prescribes in minute detail the conditions under which different branches of industry may employ the above categories of labour, sets the minimum working age, forbids night work and work which endangers their health and morals, overtaxes their strength or retards the growth of minors. Furthermore the statute protects the health of women labourers before and after child-birth and orders factories to instal suitable social welfare conveniences. One of the provisions of this law makes the employment of minors subject to medical examination testifying to their physical fitness, another prohibits the employment of youths under sixteen in mines.

International agreements.

In the same year Hungary implemented several draft conventions of the International Labour Conference, some of which dealt with furnishing data on labour exchanges, protection of the interests of minors, etc. All the con-

465 wage system allowances for children. Hungary was the fourth state in Europe to supplement the wages of labourers according to the size of their families. This law only applies to firms employing more than twenty labourers. By the end of 1941 firms with a total of more than 800,000 workers on their pay-roll paid family and child education allowances to 180,000 of their employees having in all 332,000 children.

Amount of notice, quittance money.

466 When the social wage policy was put into practice a law was passed ordering industry to give two weeks' notice to the proper Ministry before laying off any large number of workers.

We refer here to that important protective measure in force since 1937 which regulates the amount of notice to be given to industrial labourers and fixes the amount of quittance money payable to them. This measure was later extended to include clerks, shop assistants and highly skilled workers. This procedure was applied by common law and legal practice to several categories of workers some decades before the above law was enacted.

Employment offices.

464 During the past few years the sphere of activities of the labour boards has been gradually extended and the finding of employment increased. In 1942 the state started gradually to take over the municipal labour exchanges and by 1943 there were already 24 government employment offices. Parallel with the organization of government employment offices goes the registration of workers, which makes possible the nation-wide control of the supply and

demand of labour forces. Besides directing the labourers to places where they are needed, several boards entered upon the plan of giving the workers diversified training in various trades.

Inspection.

The nation-wide organization of labour inspection boards is being established. The National Industrial Board in Budapest is already functioning and supervises the enforcement of regulations governing working conditions in industry.

Leisure hours.

The organization of the workers' leisure hours was also started. Various clubs and unions of the workers provided facilities for cultural diversions, recreation and sports for their members. Credit is due to the factories for providing similar facilities on the highest European standards for their employees. Many of the larger factories publish illustrated magazines for their workers dealing with matters of interest to them.

V. WAR-TIME MEASURES.

In Hungary after the first world war and subsequent revolutions, when normal political life was restored, the first laws enacted by the Parliament were concerned with improving the economic and social conditions of war veterans, their dependents, victims of the war and of those who were decorated for war services.

Tax concessions.

729 Their economic assistance and patronage is the
651 permanent feature of the taxation policy, which assures the disabled soldiers, war widows and orphans, soldiers decorated for bravery, and war veterans of permanent tax benefits through administrative and legal measures. Lately these benefits have been made available to all soldiers on active service.

Ex-soldiers.

729 In several other administrative and legal measures
464 incidental provisions secure special consideration for the above. One of the laws furthering the welfare of war veterans and their dependents orders the employment of a certain percentage of disabled soldiers by employers, and secures preferential treatment for ex-soldiers when applications for governmental and other positions are considered.
729 These considerations prevail at the distribution of state
656 monopoly rights in trade amongst retailers. The law of 1921 governing the retailing of spirits orders that the license applications of war veterans, disabled soldiers, war widows and orphans and those civil servants who lost their livelihood on account of the Treaty of Trianon, should be given first consideration. The law regulating the social welfare of ex-soldiers provides that if there are competent ones amongst the applicants for any state licenses to ply a trade, at least 50% of the applications should be granted to them. Since these laws were passed the revenue authorities have allotted almost 70% of the licenses — especially licenses to retail tobacco — to disabled soldiers, giving preference to those who had